Loyal for Life: Client Relations Strategies for a Commodity World

By Edward A. Bond, Jr., CCM, FSMPS

Have you checked your asset sheet lately? Are your loyal clients on there? Perhaps they should be.

Today's professional service firm (PSF) leaders need to look more closely at which key clients are the ones that make them successful – the loyal ones! Not all clients are created equal, and knowing which relationships have lasting value will provide you with a better return on your client investment.

We've all seen the statistics. When companies pursue a new client, they can spend *three to six times* what it costs to retain an existing one. We all need new clients, but not at the risk of losing our high profit "assets".

Research[1] shows that loyal clients provide a much stronger profit return than transactional clients. Plus, loyal, repeat clients benefit measurably from their relationships with a PSF. Through a "shared interest" approach which supports our clients' business needs and strategic focus, all parties can save serious time and dollars.

Action 1: Evaluate Your Existing Clients

Professional service firms spend considerable time and money to get work into their firms. Once that first project is won, they work hard at doing the job right by making it successful for their clients.

But what happens to existing clients after developing a project relationship? In many cases firms assume that since they've done a good job, the client will call them back for more. Yet the reality is most clients are too busy with their own issues to have the time or focus to have our best interest in mind. It's not that they are unhappy; it's just that others have started to court them, and the "out-of- sight, out-of-mind" mentality easily falls into place.

As a result, PSFs fall victim to the *Leaking Bucket Effect,* which occurs when marketing activities focus primarily on new clients to support the practice the firm is building. Once a project is completed, firms move on to chasing the next new client, and the existing client for whom they have done successful work is left for later. The leaks (existing clients) in the bucket (the firm) go elsewhere. And part of the reason they leak out is we let them!

In our firm, I remember asking about our relationship with an institutional client that was a "good client". The response was "They love us, and any time they have some work they'll call." The truth was we hadn't done anything with them in two years (our financials confirmed this). The client did have work – and our competitors were doing it!

Clients are not about to court us; we need to court them! The goodwill we build is generated by helping our clients before the project, during the project, and after the project.

Pareto's Law, often called the 80/20 principal, states that 80% of profits will come from 20% of your customers[2]. We need to know exactly which clients are in that preferred, key client category.

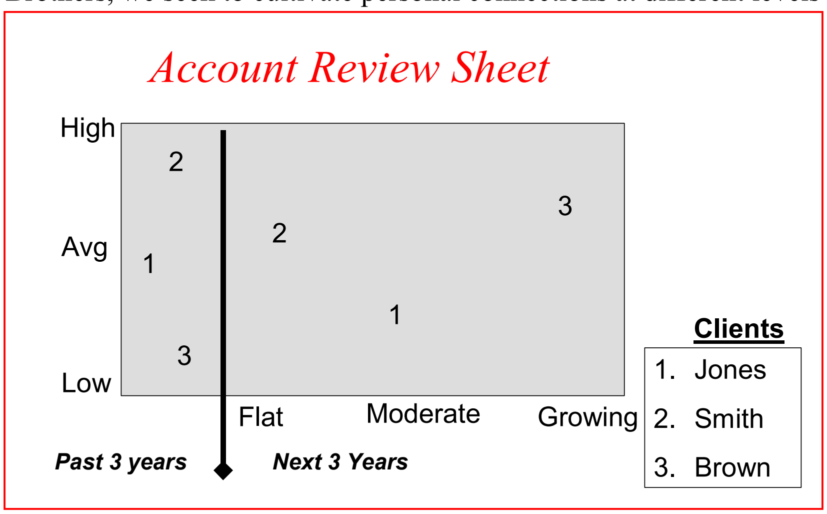
By reviewing your top clients from your company's financial statements (your accounting department can pull this together), you can single out those key clients most responsible for consistent, reliable profit over the past three years. Try to estimate what percentage of their work goes to you, and how often they came back for repeat projects during this three-year period.

Action 2: Invest in the Right Clients

Once you know which key clients to focus on, the next step is to review your levels of relationships with these clients. With the use of the *Account Review Sheet* [Figure 1], you can graph where these clients have been in the past three years and chart estimated business opportunities you may expect from them in the next three years. These three-year projections should come from discussions with your clients, your firm's knowledge of industry trends, and conversations within your firm.

Finding the "right clients" means understanding their wants and needs. Many clients know what they want, but they don't always know what they need. As professionals, it is our job to bring these needs and desires together to produce the outcome our clients want.

With the use of the *Account Review Sheet*, you should find yourself focusing on a broader discussion about the client's business and on what future opportunities lie ahead. At Bond Brothers, we seek to cultivate personal connections at different levels of our client's business.



This provides the additional opportunity to raise awareness of our building, civil, and utility services. Our goal is to achieve a "No-End Relationship," allowing us to continue from one project need to the next - without the necessity of going through the RFQ/RFP process, and all the other preliminary stages that cost time and money.

This requires focus and a consensus on the types of clients that you are willing to serve on large and small projects. Look closely at the characteristics and cultures of the clients with whom you have the best relationships. This will provide valuable evidence of *who* you best match up with, and *where* you can specifically focus relationship and retention initiatives.

Action 3: Map the Client Organization

Understanding the hierarchy of decision-making in your client's business is key. If you ask them, most clients will probably provide you with their organizational chart. If not, the information might be found in annual reports for public companies, and/or by asking people in your network how reporting works in a given company.

Be aware that what is reported on paper may not be how it works on a practical level. Knowing who the economic decision-maker is within a client's business is much easier when you're inside their business and actually observing the process.

The trouble with so many service firms is that there is an overload of relationships at the project level and not much above it. In many businesses the decision-making is strongly influenced, or out-and-out decided, at a different level than the project level.

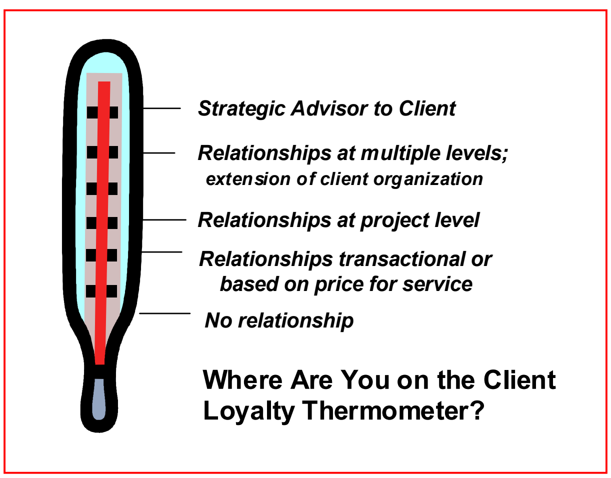
The questions then become: where does the decision-making rest, and is that decision authority strictly for the *project* versus the larger *program*? Simply doing well on a past project is no guarantee of securing future work.

While mapping your client organizations, look for the inevitable gaps between your firm's connection points and the client's hierarchy beyond the project level. When most of your relationships are at the project level, you face a double risk. First, there tends to be a wilting of the relationship once the project is completed. Second, lacking relationships at the key decision-making level leaves your firm in jeopardy of losing work to higher-flying competitors.

Action 4: Distribute Client Relationship Duty

Knowing where the relationship gaps are, and acting to fill those gaps, is critical in developing and sustaining long-term, profitable relationships. One method for increasing your opportunities for continual business is to develop relationships throughout the client organization.

At Bond Brothers, we work to develop relationships at different levels of our client's business. Since we do self-performing work, we have relationships at the field, project management, and executive levels. We listen for the common needs and concerns that travel from one end of the client's business to the other, and we focus our efforts on being a provider of solutions to their construction problems.



By better understanding their business from all levels of the organization, we can gain a better perspective on what's real versus what's not. Listening for influencers that might affect their projects, watching for trends that could accelerate or decelerate a project, and simply being inside the client's business brings a wealth of insight.

If we were to rely solely on the project-level relationships, we would only have a partial understanding of our client's business issues. The benefit from multi-level relationships is that we can see common threads traveling through our client's business - just as a consultant would - and we use this information to make our projections on future business activities.

To nurture relationships at different levels, we encourage our people to be active with clients outside of the projects. This includes getting involved with fundraisers, civic events, and sporting activities. Having face-time with clients away from the project meetings allows for a personal relationship to develop. From my point of view, maintaining these different levels of relationships has afforded Bond Brothers the ability to serve the same clients for four generations.

<u>Action 5: Create Internal Systems to Support Loyalty</u>

The crux of the matter is that loyalty is a two-way street. If you are not committed to taking care of your client, do not expect them to consider taking care of you. The quid pro quo is the mutual interest that you have in seeing one another succeed. It is not as much about driving your prices higher than your competitors as it is about providing the best investment of time and energy to maximize the client's construction investments. In the end, the total cost of the project from a loyal relationship should cost less. By understanding and advising clients on wants and needs, you help to bring everything together in a timely and intelligent way.

The relationships with your clients need to be supported by the relationships with your people. The message that we send each day in our firm to our employees reinforces the relationships that we have with our clients. Those messages can be as simple as our decisions on which projects we choose to work: new clients or existing clients? How we do compensate our people: for new business acquisition or for nurturing existing business? What do we talk about and get excited about with celebrations in our firm: new clients or existing clients? These small actions make big impacts over time.

The subtleties of your actions will be reflected in your client's actions as well. Do your clients ask for specific people to come back to do their work? Does the client appear to enjoy your people? Do your people enjoy and speak well of the client?

In the end, how we choose to fix our "leaking bucket" is a matter for leaders of our firms to decide. If we focus on bringing in new business at the risk of losing existing business, we are spending more dollars to create unknown and possibly volatile relationships.

Leaders must focus on the ROI of their relationships with their clients. Loyal clients not only provide better returns, they also provide concrete relationships and opportunities for developing future clients. Loyal clients are your best references and the source of solid referrals. Over our years in the business, we have found that loyal clients provide us with loyal employees and loyal profits that make for a successful business.

There's no more important entry on the company asset sheet than a loyal client. The consistent service and attention you give them-regardless of whether they have an active or pending project-can be your single best differentiator in today's commodity world.

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[1] Construction Management Association of America, Society for Marketing Professional Services, and American Institute of Architects, Harvard Business School, Bain, McKenzie et all.

[2] Pareto's Law derived from Vilfredo Pareto, Italian-born sociologist and economist, and widely applied to various aspects of business and human behavior.